



Department of Justice

United States Attorney Laura E. Duffy
Southern District of California

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\$100 Million Customs Fraud Uncovered; President of San Diego Customs Brokers Association and Ten Others Charged in Scheme

SAN DIEGO, CA – A complaint charging eight individuals and three corporations with operating a ring that illegally imported hundreds of millions of dollars in foreign goods into the United States through the Long Beach Port-of-Entry and evaded millions of dollars in import taxes was unsealed today, announced United States Attorney for the Southern District of California Laura E. Duffy.

According to the complaint, the defendants' scheme focused on purchasing large, commercial quantities of foreign-made goods and importing them without paying import taxes or "Customs duties." As alleged in the charging documents, wholesalers in the United States would procure commercial shipments of, among other things, Chinese-made apparel and Indian-made cigarettes, and arrange for them to be shipped by ocean container to the Port of Long Beach, California. Before the goods entered the United States, the defendants generated paperwork and database entries indicating that the goods were not intended to enter the *commerce* of the United States, but instead would be "transshipped" "in-bond" to another country, such as Mexico.

As noted in the complaint, this in-bond process is a routine feature of international trade. Goods that travel in-bond through the territory of the United States do not formally enter the *commerce* of the United States, and so are not subject to Customs duties. By claiming that the goods would be transshipped in-bond to another country, the defendants falsely represented that no Customs duties applied.

According to the complaint, instead of completing the in-bond transshipment, the defendants would hire truck drivers to haul the shipments to warehouses throughout Southern California. After generating the false paperwork and database entries, the goods would then be diverted back to Los Angeles and other destinations for shipment throughout the United States. As the conspirators had now effectively imported the goods tax-free, they could in turn sell more merchandise at cheaper prices—and reap greater profits—than their law-abiding competitors, including domestic American manufacturers of the same goods.

The complaint alleges that in addition to harming lawful domestic businesses, the defendants deprived the United States of the Customs duties that it was owed on these diverted shipments. To date,

the government has already identified more than 90 commercial shipments of Chinese-made apparel, foreign-made cigarettes and other goods that were illegally imported in this manner. Altogether, these shipments were worth at least \$100 million and resulted in more than \$10 million in lost Customs duties, taxes and other revenue.

According to United States Attorney Duffy, “The charges announced today underscores our commitment to ensure that no one exploits the import process for personal gain. Not only does such illegal conduct present a significant danger to the American people, but it deprives law abiding companies of a level playing field resulting in the potential loss of billions of dollars in revenue.”

“This investigation pulled back the curtain on a potentially costly fraud scheme operating in one of the world’s busiest commercial centers,” said ICE Director John Morton. “Instead, HSI, aided by our law enforcement partners, exposed and dismantled this criminal ring and now those responsible will be held accountable.”

“Every day, U.S. Customs and Border Protection officials work to protect the U.S. and interdict fraudulent goods from entering the country. I commend the work of our officers for their instinct and diligence, and recognize the seamless coordination across government agencies,” said David V. Aguilar, Acting Commissioner, U.S. Customs and Border Protection. “Joint efforts such as this are crucial to maintaining our nation’s economic security and competitiveness.”

“The FDA-Office of Criminal Investigations is fully committed to investigating and supporting the prosecution of those who may endanger the public’s health and safety by importing unsafe and potentially life-threatening products. We commend the U.S. Attorney’s Office in the Southern District of California for their diligence,” said Lisa Malinowski, Acting Special Agent in Charge, U.S. Food and Drug Administration's Office of Criminal Investigations, Los Angeles Field Office.

As alleged in the complaint, defendant Gerardo Chavez is President of the San Diego Customs Brokers Association and a licensed Customs broker. Using his Customs license, Chavez, his employees and his companies—including defendants Tecate Logistics, LLC and International Trade Consultants, LLC—generated the fraudulent Customs paperwork that was integral to the scheme. Similarly, Chavez and his companies would make false entries into Customs databases, in order to create the false appearance that in-bond shipments of foreign-made goods had been lawfully transshipped to Mexico. As part of this effort, Chavez, Joel Varela and others would also forge official Customs markings to make it appear as if a United States Customs official had certified various shipments as having been transshipped to Mexico.

Charging documents also allege that Chavez had several dedicated customers who were part of the conspiracy. For example, defendant Sunil Mirwani, a citizen of the United Kingdom, received dozens of shipments of illegally imported Chinese-made apparel at warehouses throughout the Los Angeles area. Mirwani marketed and sold the apparel using his company, defendant M Trade Inc. Similarly, defendant Rene Trahin and other coconspirators distributed various shipments of illegally imported “gray market” cigarettes—ranging from Indian-made to German-made brands—to warehouses, self-storage areas and a residence in San Diego, Los Angeles and parts between.

The complaint alleges that the defendants also imported produce infected by *Salmonella Agona*. Often called simply “*Salmonella*,” this pathogen is a potentially life-threatening infectious bacteria. On

one occasion, after a shipment of nopal cactus (also known as prickly pear) tested positive for *Salmonella*, coconspirators changed the description of the nopal cactus' grower for subsequent shipments, for the purpose of evading future Food and Drug Administration ("FDA") inspections. Similarly, defendant Elizabeth Sandoval and Varela conspired to import Mexican snack foods that were mislabeled and adulterated with a prohibited dye. The remaining defendants named in the complaint are employees and agents of Customs brokers, wholesalers and transport companies who are alleged to have knowingly aided the conspiracy.

This case is being prosecuted in federal court in San Diego by Assistant United States Attorney Timothy C. Perry and is being investigated by the Department of Homeland Security, Immigration and Customs Enforcement Homeland Security Investigations, and United States Customs and Border Protection, the Internal Revenue Service, the Food and Drug Administration, and the Alcohol and Tobacco Tax and Trade Bureau.

A complaint is a formal charging document and defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.

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DEFENDANTS

Case Number: 12MJ2756

Gerardo Chavez
Joel Varela Gonzalez
Carlos Medina
Enrique Perez Soltero
Sunil Mirwani
Rene Trahin
Elizabeth Sandoval
Juan Porter

International Trade Consultants, LLC
Tecate Logistics, LLC
M Trade, Inc.

440 Industrial Rd., Tecate, California
24060 Humphries Rd., Tecate, California
8123 Amor Rd., Los Angeles, California

SUMMARY OF CHARGES

Count 1: Conspiracy to Defraud the United States and to Commit Offenses against the United States, in violation of Title 18, United States Code, Section 371 (all defendants). Maximum Penalties: Five years in prison, three years' supervised release, a \$250,000 fine and a \$100 special assessment.

Counts 2-4: Bringing in Goods by Means of False Statements, in violation of Title 18, United States Code, Section 542 (various defendants). Maximum Penalties: Two years in prison, one year of supervised release, a \$250,000 fine and a \$100 special assessment per count.

Counts 5-56: Obstruction of Justice, in violation of Title 18, United States Code, Section 1519 (various defendants). Maximum Penalties: 20 years in prison, three years of supervised release, a \$250,000 fine and a \$100 special assessment per count.